Europe’s tightrope walk on tech sovereignty

EU should beware curbing access to US providers as it tries to nurture its own

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What can Europe do to reduce its dependence on US, and Chinese, technology? The 2024 Draghi report warned that the EU was structurally reliant on non-EU providers for more than 80 per cent of its digital products, services and infrastructure. Making its economy more dynamic will rely, in part, on building tech prowess of its own. And European governments and companies fret that, in a dog-eat-dog world, the Trump administration might suspend access to vital US tech services as a tool of pressure. The idea of American “kill switches” may seem far-fetched. But the latest US national security strategy makes clear Washington is ready to use its tech supremacy to exert leverage just as it has used its financial dominance in recent decades.

Yet few initiatives require such a delicate balancing act as the push to assert European “tech sovereignty” set out in a sweeping legislative package yesterday. The bloc needs to avoid damaging EU competitiveness — or even security — by curtailing access to leading-edge US technologies as it tries to nurture European alternatives that may be less advanced, more expensive or entirely lacking. It must avoid antagonising, too, a Trump White House that views EU tech regulation as aimed squarely at stifling US dynamism.

US tech giants have, meanwhile, tried to get ahead of the EU’s legislative curve. Microsoft, Google and Amazon — which together control about 70 per cent of the European cloud computing market — have offered “sovereign solutions”, including by setting up European-controlled ventures, some with local partners, or keeping data or operational control within specific geographies. Critics counter that they could still be subject to the US Cloud Act, which allows law enforcement to demand data from US tech company servers even overseas.

Brussels has leaned towards steps aimed at nurturing European challengers rather than veering too far into protectionism; some non-EU suppliers had feared more large-scale “Buy European” requirements for public procurement contracts. But its proposed Cloud and AI Development Act would require European governments to conduct “sovereignty risk assessments” of cloud providers on a four-tier system; the more critical a sector, the greater the assurances demanded from providers on whether their cloud services, data operations and infrastructure are under EU control.

In the most critical “level 4” public contracts, such as defence, suppliers would have to ensure software and hardware are made in the EU — excluding non-European companies — though this accounts for only about 1 per cent of the public procurement market. Vendors would also be assessed on how much “EU value” they add, in terms of investments, job creation and R&D.

A revamped Chips Act, updating a 2023 version that has fallen short of expectations, proposes not just to simplify permitting for manufacturing plants. It recommends allowing direct EU investment into strategic cross-border projects, to speed up funding.

As Brussels itself admits, however, the best way of boosting EU tech sovereignty is to create the conditions needed to enable European companies to scale up and prosper. That means finally delivering a fully functioning single market, completing the proposed capital market to create deeper pools of investment, and streamlining regulation — for example through the “EU Inc” initiative, a single set of EU-wide corporate rules. Europe is not short of tech experts or entrepreneurs — but too many take their ideas elsewhere, or see them wither before they can grow into world-beaters.